

AMENDED**ARIZONA STATE SENATE**
RESEARCH STAFF

LAURA BENITEZ
LEGISLATIVE RESEARCH ANALYST
COMMERCE COMMITTEE
Telephone: (602) 926-3171

TO: MEMBERS OF THE SENATE

DATE: February 25, 2021

SUBJECT: Strike everything amendment to S.B. 1411, relating to unemployment insurance

Purpose

Increases the maximum weekly unemployment benefit amount (WBA), the amount an individual may earn with no reduction to their WBA (income disregard) and the state unemployment tax taxable wage limit. Prescribes requirements for the Department of Economic Security (DES) to obtain employment and income information and reduces, effective January 1, 2022, the maximum duration of benefits, if Arizona's unemployment rate is less than six percent.

Background

The federally-established Unemployment Insurance Benefit Program, administered by DES according to state law, provides unemployment benefits to persons unemployed through no fault of their own for up to 26 weeks. Statute prescribes eligibility requirements relating to the reason for separation from employment, wages earned prior to unemployment and the individual's availability and work search activities ([A.R.S. Title 23, Chapter 4](#)).

Subject to a cap of \$240, the WBA of an eligible unemployed individual is equal to one-twenty-fifth of their highest quarter earnings during the first four quarters of the most recently completed five quarters. An unemployed individual may earn up to \$30 in a week for less than full-time work with no reduction to their WBA. Earnings in excess of the \$30 income disregard are subtracted from the WBA for which the individual qualifies ([A.R.S. § 23-779](#)).

Benefit payments are paid from Arizona's Unemployment Insurance Trust Fund (UITF) which is financed by a tax that employers pay on the first \$7,000 wages paid to each employee in a calendar year ([A.R.S. Title 23, Chapter 4](#)). A state with an insolvent UITF may receive an advance from the Federal Unemployment Account and is eligible for the loan interest-free if, in the last five years, the state's UITF reached the federal solvency standard and the state maintained tax effort criteria ([20 C.F.R. § 606.32](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Increases the maximum WBA from \$240 to:
 - a) \$320 on the general effective date; and
 - b) \$400 beginning on July 1 following the date DES determines Arizona meets the federal criteria to receive an interest-free unemployment insurance loan.

2. Increases the income disregard from \$30 to \$160.
3. Increases the state unemployment tax taxable wages limit from \$7,000 to:
 - a) \$8,000 in calendar year 2022; and
 - b) \$9,000 in calendar year 2023 and each calendar year thereafter.
4. Reduces, effective January 1, 2022, the maximum number of weeks an individual may receive unemployment benefits from 26 weeks to 20 weeks, if Arizona's average unemployment rate in the most recently published calendar quarter is less than six percent.
5. Allows an individual to receive up to 26 weeks of unemployment benefits when the unemployment rate is less than six percent during a Governor-declared state of emergency that results in, or is caused by, conditions whereby businesses must pause operations.
6. Requires DES, as part of the verification process to determine benefit eligibility, to obtain current employment and income information from external data sources, including third-party vendors, that are sanctioned by the U.S. Department of Labor.
7. Requires the data sources to provide a verification service that:
 - a) delivers actual, real-time and nonmodeled employment and income information furnished by employers; and
 - b) minimizes erroneous communications to employers generated from fraudulent claim applications.
8. Requires DES to annually determine whether Arizona meets the federal eligibility criteria to receive an interest-free federal unemployment insurance loan and specifies that DES is not required to make the determination in subsequent years once the criteria has been met.
9. Defines *unemployment rate in the prior calendar quarter*.
10. Makes technical and conforming changes.
11. Becomes effective on the general effective date, with a delayed effective date as noted.

Amendments Adopted by Committee

1. Adopted the strike-everything amendment.
2. Specifies that the taxable wages limit increase to \$9,000 in 2023 applies to each calendar year thereafter.

Senate Action

APPROP 2/23/21 DPA/SE 9-1-0